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BY THE U.S. GENERAL ACCOUNTING OFFICE

## Report To The Secretary Of Agriculture

# Better Wage-Matching Systems And Procedures Would Enhance Food Stamp Program Integrity

When participants in the Department of Agriculture's Food Stamp Program do not report all their earned income, more food stamp benefits are issued than necessary. Such underreporting is the most significant cause of food stamp overissuances, which currently are about \$1 billion annually--the equivalent amount of food assistance provided to almost 2 million people annually. To reduce overissuances, the Congress has required states to match wage data from external sources, such as employers, with participants' reported earnings to verify eligibility and benefit levels.

Wage matching can be an effective method for improving the program's integrity. GAO found, however, that states need to improve their systems for identifying significant differences in earnings and for achieving more effective local follow-up to confirm potential unreported earnings, adjust benefit levels, and establish and collect claims for overissuances.

GAO recommends several actions that the Department of Agriculture should take to improve states' wage-matching operations.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

RESOURCES COMMUNITY  
AND ECONOMIC DEVELOPMENT  
DIVISION

B-206711

The Honorable John R. Block  
The Secretary of Agriculture

Dear Mr. Secretary:

This report summarizes the results of our review of the Food and Nutrition Service's administration and state implementation of the Food Stamp Program's wage-matching requirement. Because most states use the same wage-matching procedures for both the Food Stamp Program and the Aid to Families with Dependent Children Program, most of the problems we found in our review were applicable to both programs. Accordingly, we believe that this presents an opportunity for the Department of Agriculture and the Department of Health and Human Services to work cooperatively to improve the programs' integrity through more efficient wage-matching operations.

The report contains recommendations to you on pages 18, 35 and 36. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations no later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the above committees; to other committees and Members of Congress; to the Director, Office of Management and Budget; and to the Secretary of the Department of Health and Human Services. We are also sending copies to the Assistant Secretary for Food and Consumer Services; the Administrator, Food and Nutrition Service; and your Inspector General.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. Dexter Peach".

J. Dexter Peach  
Director



D I G E S T

The Department of Agriculture's Food and Nutrition Service administers the Food Stamp Program, which provided about \$12 billion in food assistance during fiscal year 1983, to about 22 million persons monthly. Since 1981, benefit overissuances caused by recipient errors or fraud and state food stamp agency errors have cost the federal government about \$1 billion annually. GAO conducted this review to determine whether the Service's and the states' wage-matching efforts had effectively addressed the overissuance problem. GAO also looked at the Department of Health and Human Service's (HHS') Aid to Families With Dependent Children (AFDC) Program because it has a similar wage-matching requirement.

The most significant cause of overissuances has been the underreporting of income by program participants. Beginning in January 1983, Service regulations required states to (1) acquire wage data that participants' employers reported to state agencies administering state unemployment insurance programs or the Social Security Administration and (2) compare those data with earnings that participants reported to food stamp offices.

States also were required to develop follow-up procedures and time frames for identifying and verifying any material differences shown by the comparisons. Where appropriate, states were to adjust or terminate benefits and establish and collect claims for previous overissuances. (See pp. 1 and 2.)

GAO reviewed the effectiveness of state wage-matching activities in Florida, Louisiana, New Jersey, New York, and Texas because of their experience with wage matching and because these states had issued the most food stamp benefits in their respective Service regions. GAO also reviewed the Service's administration of states' wage-matching activities at the Service's headquarters and at four of its seven regional offices.

GAO found several problems with states' procedures for identifying cases with potential unreported income. It also found that local food stamp offices in the five states frequently did not follow up on wage-matching results to determine accurate income amounts, correct current monthly benefits, or establish claims for previous overissuances. (See pp. 6, 17, 22, and 35.)

PROCEDURES FOR IDENTIFYING  
CASES WARRANTING LOCAL OFFICE  
FOLLOW-UP NEED IMPROVEMENT

The five states GAO reviewed did not have adequate systems for identifying participants who had not accurately reported their earned income. While they did have automated systems for determining applicants' eligibility and monthly benefit amounts, only New Jersey retained computerized records of participants' prior period earnings needed to conduct automated wage matching. As a result, New Jersey could more efficiently identify cases with potentially large income errors and focus local offices' follow-up on those cases. In contrast, local offices in the other four states were faced with the time-consuming task of manually comparing external wage data for each wage match case with earnings data in individual food stamp casefiles. (See pp. 8 and 9.)

Florida, Louisiana, and Texas officials told GAO that a computerized matching system would be more efficient than their current manual system and that they were planning to automate their matching operations. (See p. 12.)

Even though food stamp legislation and regulations do not require states to automate wage-matching procedures, Service officials told GAO that they expected states to do this because 1980 legislation increased the percentage that the federal government would pay for states to obtain or upgrade automated food stamp systems. GAO believes that states' computerized systems should be able to conduct automated wage matching to qualify for increased federal reimbursement. (See pp. 7 and 8.)

GAO also found that coverage of matching operations to identify potential overissuances needed to be improved. Food stamp regulations were silent as to who should be covered by wage matching; however, the regulations required states to establish claims and pursue collections on any identified overissuance.

Because of state legislative restrictions and internal policy decisions, four of the five states GAO reviewed did not obtain external wage data for individuals who had received food stamp benefits during a match period unless they were still receiving benefits.

Texas, however, obtained external wage data for all participants who had received benefits during the match period whether they were still receiving benefits or not. GAO reviewed 118 randomly selected cases in two Texas locations. Of the 118 cases, 68 involved former participants. GAO found that in 42 of the 68 cases, the former participants may have underreported their earnings and received excessive benefits. GAO believes that all former participants who received benefits during a match period should be subject to wage matching. (See pp. 13 and 14.)

The effectiveness of wage matching also could be increased if the Service established uniform dollar criteria for referring potential overissuance cases for follow-up. The states GAO reviewed had established varying criteria for triggering follow-up. In three states, it was a quarterly difference of \$75 between participants' reported earnings and externally reported wage data; in another it was \$100 a quarter. In the fifth, it was based on the percent of increase in externally reported wage data for successive quarters--a procedure that had little relation to the earnings amounts that current benefits were based on. GAO believes that uniform dollar criteria would allow states to limit follow-up to cases where potential overissuances are large enough to warrant such efforts. (See pp. 14 to 16.)

IMPROVEMENTS IN FOLLOW-UP  
PRACTICES WOULD INCREASE THE  
BENEFITS OF WAGE MATCHING

GAO reviewed 713 wage match cases referred to 14 local food stamp offices in five states. Four hundred and forty-six of these cases involved wage differences ranging from \$80 to \$6,011 between external wage data and participant-reported earnings in food stamp casefiles for the 3-month match period. The potential unreported income for the 446 cases for these match periods was about \$404,000-- just over \$900 a case. (See pp. 4 and 22.)

For 45 cases, current benefits were adjusted, and claims for previous overpayments were established, as appropriate. For the remaining 401 cases, however, local offices did not, as required, (1) take any follow-up action on 90 cases, (2) accurately compare external wage data with casefile earnings data for 169 cases, (3) resolve differences between the two income sources by confirming amounts with employers or participants for 58 cases, and (4) establish claims for verified overissuances for 87 cases. (Three cases had two reasons for inadequate follow-up.) (See pp. 25 to 30.)

State officials said that the strain on local office staff created by manual match operations and the relatively higher priority of other program requirements were responsible for inadequate follow-up. Also, the Service and the states GAO reviewed had not provided adequate guidance and training so that food stamp workers would make more accurate use of external wage data. Additionally, states did not effectively monitor local offices to determine how well they were using external wage data. (See pp. 30 to 34.)

The Service and two of the five states had not prepared detailed instructions on the procedures or time frames that should be met to maximize wage-matching benefits. In the other three states, guidance was either incomplete or had not been made available to all local staff. Only 14 of the 103 local caseworkers GAO interviewed had received formal training on wage match follow-up activities. (See pp. 30 to 32.)

State and Service regional officials said that improvements were needed in instructional materials, training, and state action to check the accuracy of local offices' work. Three states told GAO that they were revising or planned to revise their manuals to provide more specific instructions for wage match follow-up procedures. GAO believes that these problems with wage matching could be reduced through additional automation and better guidance and training for local follow-up efforts. (See pp. 30 to 34.)

#### DESIGN AND FOLLOW-UP PROBLEMS ALSO AFFECT WAGE MATCHING IN THE AFDC PROGRAM

Of the 446 food stamp households that GAO identified as having potentially unreported income, 146 also had received AFDC benefits based on potentially inaccurate income data. GAO found that states experienced similar problems in carrying out AFDC matching operations because only about one-third of those 146 cases were handled correctly.

GAO believes that it would be practical for Agriculture and HHS to work cooperatively to improve states' matching operations because states acquire external wage data from the same sources and use similar matching techniques for both programs. Also, many participants were receiving benefits under both programs, and states commonly used the same offices, even caseworkers, to administer both programs. (See pp. 17 and 34.)

#### RECOMMENDATIONS

GAO recommends that the Secretary of Agriculture take steps to secure broader use of automated wage-matching techniques, expand wage match coverage, and establish uniform dollar criteria for follow-up referrals. GAO also recommends that the Secretary take action to improve states' follow-up activities for correcting current benefits and establishing claims for previous overpayments. (See pp. 18, 35, and 36.)

## AGENCY AND STATE COMMENTS

Agriculture, HHS, and the states GAO reviewed agreed that the effectiveness of states' wage matching could be improved. (See apps. II through IV.) Agriculture said that GAO's report was constructive and informative and would help it improve state wage-matching activities. It noted that states had varying capabilities and problems and said that it intended to continue to allow states maximum flexibility in conducting matches. GAO believes that implementation of its recommendations would allow more efficient use of state resources and improve wage-matching effectiveness while concurrently preserving states' flexibility. HHS acknowledged the need for more specific guidelines and said it would be willing to work cooperatively with Agriculture to develop such assistance. The states affirmed the need for such guidance, and three states said that they had recently improved their automated systems or follow-up procedures. (See pp. 18 and 36.)

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#### ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
GAO	General Accounting Office
HHS	Department of Health and Human Services

## CHAPTER 1

### INTRODUCTION

Inaccurate reporting of participants' earned and unearned income in the Food Stamp Program, administered by the U.S. Department of Agriculture's Food and Nutrition Service, is a major reason for overissuance of food stamp benefits. During fiscal years 1981 and 1982, the most recent period for which data are available, states issued about \$2 billion in program benefits to which households were not entitled. At the same time, eligible participants did not receive about \$500 million in benefits they should have received. States' analyses of the causes of errors, as well as our own,<sup>1</sup> have shown that earned income errors are the largest single cause of inaccurately issued benefits. Department of Health and Human Services' (HHS') analyses of its Aid to Families with Dependent Children (AFDC) Program show that, to varying degrees, that program has experienced the same types of problems.

The Congress, Agriculture, HHS, and state and local officials who administer these needs-based programs have expressed concern about losses from benefit overpayments. Within the past several years, there have been various administrative initiatives to improve states' ability to detect and prevent issuance errors such as those caused by inaccurate reporting of earned income. The Congress also has assisted in this effort by enacting legislative changes to improve program integrity. One of these legislative changes involved initially allowing and subsequently requiring states to compare participant-reported earnings with earnings information from independent external sources.

The President's Council on Integrity and Efficiency, various Inspector Generals, and state officials have reported that computer matching of data from different sources is an effective way to detect errors in distributing benefits under needs-based programs. In February 1983, we reported<sup>1</sup> that more cases with overissuances could be identified and that computer matching, and specifically wage matching, held considerable promise as a way to identify these cases.

#### DEVELOPMENT OF THE WAGE-MATCHING REQUIREMENT

Wage matching is now required for both the Food Stamp and AFDC Programs. During the past 4 years, congressional interest in wage matching as a routine feature of the Food Stamp Program increased considerably. The Food Stamp Act Amendments of 1980 (Public Law 96-249), approved May 26, 1980, provided for more

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<sup>1</sup>Need for Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).

efficient verification techniques by giving states the option to conduct wage matches. Specifically, the 1980 legislation amended the Internal Revenue Code and the Social Security Act to allow state food stamp agencies to obtain and use wage, benefit, and other information contained in files maintained by the Social Security Administration and state unemployment compensation agencies. The Congress also passed the Food Stamp and Commodity Distribution Amendments of 1981 (Public Law 97-98), approved December 22, 1981, which required states to obtain and use such external earnings information obtained from employers. The Service's regulations for implementing this requirement instructed states to begin their matching operations by January 1, 1983.

To obtain this information, state agencies had to develop agreements setting forth the procedures to be used to request or provide wage data. One of the stipulations was that such agreements establish safeguards for limiting any release or redisclosure of the data as required by federal or state laws and regulations.

Another important legislative change in 1981 expanded to all household members the requirement that participants provide their social security numbers to the local food stamp agency. Previously, only the individual designated as head of household had to provide a social security number to the agency. The purpose of this change was to improve verification of participant-reported income because social security numbers are a primary identifier and an integral component of the cross-checking process. For example, the five states we reviewed required both names and social security numbers in order to provide external wage data for matching purposes. Because households may contain more than one wage earner or a wage earner may not be designated as the head of household, under the previous requirements, food stamp agencies in these five states could not have obtained external wage data for such individuals because they could not have provided social security numbers.

The Congress also enacted Public Law 98-204, approved December 2, 1983, which amended food stamp legislation to authorize states that did not routinely collect employer-reported wage data to use alternative sources of wage data for wage matching purposes, if approved by the Secretary of Agriculture. More recently, the Congress passed the Deficit Reduction Act of 1984 (Public Law 98-369), approved July 18, 1984, which required the Secretary of the Treasury, upon written request, to disclose to states food stamp agencies' current income tax return data on individuals' unearned income.

The Social Security Amendments of 1977 (Public Law 95-216), approved December 20, 1977, required that beginning October 1, 1979, states were to obtain and use external wage data in determining eligibility for AFDC Program benefits. The reported success of wage matching in the AFDC Program was one of the primary reasons the Congress extended its use to the Food Stamp Program.

## OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed states' wage-matching activities in the Food Stamp Program because wage matching can be an important tool for preventing and detecting large amounts of erroneously issued benefits. We also analyzed the effectiveness of AFDC Program matching operations on a smaller scale. Our specific review objectives were to

- identify opportunities to improve or streamline states' matching procedures to ensure efficient use of state resources,
- determine if states are making adequate use of wage-matching results to correct current benefit outlays and initiate recovery of overissued benefits, and
- ascertain if existing Service guidance provides states with adequate direction to effectively implement wage matching.

We made our review at Service headquarters in Alexandria, Virginia, and at four of its seven regional offices: Mid-Atlantic in Robbinsville, New Jersey; Northeast in Burlington, Massachusetts; Southeast in Atlanta, Georgia; and Southwest in Dallas, Texas. The five states we selected for review--Florida, Louisiana, New Jersey, New York, and Texas--were among the 22 that had voluntarily implemented statewide wage matching of their food stamp caseloads before the January 1983 legislative milestone. The factors used to select the five states included geographic dispersion, program size, and potential for differences in wage-matching procedures.

We selected New York and Florida from the Northeast and Southeast regions, respectively, and Texas and Louisiana from the Southwest Region because those states had issued the most food stamp benefits in their respective regions. We selected New Jersey for in-depth work in the Mid-Atlantic Region because Service officials regarded its computer wage-matching activity as one of the best in the Food Stamp Program. States covered by the four regional offices accounted for 60 percent of the food stamp benefits issued nationwide in fiscal year 1983. The five states we visited issued 40 percent of the benefit outlays in those four regions and 24 percent of the nationwide benefits for that fiscal year.

We did detailed review work at each state's food stamp agency headquarters and at local offices in Jacksonville, St. Petersburg, and Tampa Bay, Florida; Baton Rouge, Shreveport, and Metairie, Louisiana; Camden, Newark, and Trenton, New Jersey; New York City and Rochester, New York; and Dallas, El Paso, and San Antonio, Texas.

Our principal criterion for selecting the 14 local offices for detailed case reviews was to select metropolitan areas with

the largest caseloads. We used that judgmental factor because a major portion of program benefits were issued to recipients in urban areas. However, we did not select Houston, Texas, or Miami, Florida, the largest project areas in those states, because state officials had expressed concern that wage matching in those areas might not be representative of the states' overall efforts because of greatly increased caseloads caused by the economic downturn.

We made our review in accordance with generally accepted government auditing standards. We reviewed federal legislation and Service regulations and policies relating to wage matching. We examined requirements for verifying earnings, establishing and collecting claims, and reducing or terminating household benefits as well as restoring underissuances to those who should have received more benefits. In addition, we discussed headquarters officials' involvement in states' establishment and operation of wage-matching systems. We also maintained an awareness to detect any potential problems regarding safeguarding the privacy of wage information but did not perform any specific steps to verify the propriety of states' use of such data.

We conducted our review between January 1983 and July 1983 and covered wage match activities for the most recently completed wage match period. We selected the 3-month time period for which each of the local offices would have had sufficient time to complete actions to resolve potential inaccuracies in participant-reported earned income. We identified wage-matching procedures used in the 5 states and at the 14 local offices we visited. We identified states' procedures for obtaining external wage data, including the source and type of information used and the portion of the food stamp caseload for which it was acquired. We placed specific emphasis on whether recipients with potential unreported income were identified through automated comparisons at the state headquarters or whether states relied on local offices to identify such cases through manual reviews of casefile data. We also examined state controls for ensuring that local offices completed follow-up work.

At each local office, we identified and evaluated matching and follow-up procedures by reviewing a random sample of about 50 cases from the selected wage match period at each location.<sup>2</sup> We selected the sample cases from state agency lists of external wage data referred to local food stamp offices for follow-up 6 to 12 months before our review to ensure that the local offices had enough time to initiate and complete necessary follow-up actions. We selected the sample cases from listings containing from 166 cases (Tampa Bay) to 8,789 (New York City). The sample selection was not designed to be statistically projectable. Of the 713 cases we selected, 146 involved households or families receiving AFDC Program benefits as well as food stamp benefits. We also

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<sup>2</sup>Sampling allowances to compensate for potential problems such as missing files resulted in our selecting and reviewing slightly more than 50 cases in the first two local offices reviewed.

evaluated the follow-up procedures on those AFDC cases to determine whether problems being encountered in the Food Stamp Program were unique or common to both programs. Thus, while our report information is primarily oriented toward the Food Stamp Program, we also present information concerning the effectiveness of wage matching in the AFDC Program (see pp. 17 and 34).

We discussed the results of our review of sample cases with local, state, and federal officials. We reviewed any available formal state or local written guidance on wage matching and discussed the adequacy of the data used in the wage-matching process and the amount of formal instruction and training necessary to prepare staff to effectively process wage matches on program participants. We also discussed the priority that local offices gave to wage matching compared with other program activities.

We reviewed Agriculture's Office of Inspector General audit reports on wage matching as well as other studies and guidelines on wage matching written within the past 2 years and held discussions with the authors, a private consultant, and staff members of the President's Council on Integrity and Efficiency. Additionally, we coordinated our work with Agriculture's Office of Inspector General, the Office of Technology Assessment, the Congressional Research Service, and the Congressional Budget Office.

We discussed our review results with officials from the five states, the Department of Agriculture, and the Department of Health and Human Services. Their comments on our report and our responses have been incorporated into the individual chapters as appropriate. The full texts of their written comments appear in appendixes II through VI.

Our review was not designed to be statistically representative of all the states and regions that operate the Food Stamp Program. However, we believe that information on problems that states with comparatively more wage-matching experience are having can also help other states improve their wage-matching activities and avoid the types of problems discussed in this report.

## CHAPTER 2

### PROCEDURES FOR IDENTIFYING CASES

#### WARRANTING LOCAL OFFICE FOLLOW-UP NEED IMPROVEMENT

The wage match systems of the five states we reviewed were not adequate for comparing wages reported by program participants with external wage data. As a result, the systems did not identify all potential food stamp overissuances caused by participants' not accurately reporting their wages and tended to increase rather than ease local offices' workloads for resolving differences in income information. Three common problems detracted from states' ability to efficiently and effectively identify those cases warranting local office follow-up.

- States' automated systems did not efficiently identify participants whose food stamp records showed reported wages that differed materially from external data reported by employers.
- States did not request external wage data for members of all households who had received benefits during the period covered by the wage match.
- The Service did not establish uniform dollar limits or tolerances that would focus follow-up attention on cases with significant overissuance potential.

The overall effect of these problems has been using staff resources inefficiently for time-consuming and sometimes unproductive wage-matching and follow-up efforts, not identifying potential overissuances to some former participants, and allowing some potentially large errors to go undetected.

The Service said that its initial major emphasis had been to ensure that states implement the wage-matching requirement and that little attention had been given to how well the systems were working. Food stamp officials in the states we reviewed stated that their wage-matching systems could be more effective, that upgrading their computer wage-matching capability would yield more efficient use of local office staff resources, and that Service guidance on issues such as caseload coverage and dollar thresholds for initiating local office follow-up would help them improve their systems.

States used the same system to implement the AFDC wage-matching requirement. As a result, many of the same problems regarding operational efficiency and effectiveness in identifying potentially inaccurate income would also apply to that program.

BETTER USE OF COMPUTER CAPABILITY COULD  
INCREASE EFFICIENCY OF WAGE MATCHING

The efficiency and results of states' wage-matching activities could be improved if states would make more use of computers to compare external wage data with participant-reported earnings shown in food stamp casefiles. Four of the five states we reviewed relied wholly or partly on local office caseworkers to manually compare external wage data with data in individual food stamp casefiles to identify any potential unreported income. Three of these four states had computerized data only on participants' current earnings and consequently could not conduct automated matches of external and casefile earnings data for prior months. One of the states had prior months' wage data but did not use the data. Although the fifth state used automated matching techniques and had a more efficient system than the other states, some further improvements in its system could enhance its wage-matching efforts.

Automated procedures can reduce  
follow-up requirements

The legislation which established the wage-matching requirement did not require that computers be used to compare externally reported wage data with participant-reported wage data in food stamp records. However, House Report No. 96-788 shows that the Congress supported increased automation of states' wage-matching operations. A major premise was that automated matching procedures would facilitate access to wage information compiled either by names or social security numbers in computerized files. States without sufficient automation would have to compensate by performing more manual operations just to identify potential unreported income.

The Service expected that most states would, to the extent possible, automate their comparisons of internal and external wage data because enhanced funding for automated systems was made available in the 1980 Food Stamp Act amendments. The act provided that effective October 1, 1980, the Service could increase the federal share of states' cost for planning, designing, developing, or installing automated systems from 50 percent to 75 percent. Service regulations issued in June 1982 require that in order to receive increased federal funding, states have to include specific features in their proposed computer systems. In general, these systems must be capable of handling food stamp certification and issuance functions, be statewide and integrated with the AFDC Program, and be capable of cross-checking for multiple participation within the jurisdiction served by the system.

However, these regulations would not ensure that states' upgraded or new computer systems would have the necessary features to conduct automated wage matching. The regulations do not require that systems designed and installed with federal financial

assistance have the capability to retain historical casefile information such as participants' reported incomes. As a result, the Service has little assurance that states can eliminate the time-consuming and often unproductive wage-matching practices associated with manually reviewing individual casefiles just to find out if there are any income discrepancies.

State agencies, Service regional offices, and others have previously commented on some of the Service's standards for developing new automated systems or improving existing ones. Before the final June 1982 regulations were issued, several commenters suggested adding a requirement that the new systems be capable of retaining all certification and issuance files (which should include participants' reported income) as a condition for 75 percent federal funding. The Service did not adopt this suggestion. It said that its existing regulations required states to retain certification and issuance files in hard-copy form, microform, or on computer tape and that it believed that those with automated systems retained such data either on tape or in microform. The five states that we reviewed had participant-reported income and other data for the current month automated, but New Jersey was the only state that retained participant income data in an automated format for prior months.

Of the states we reviewed, Florida, Louisiana, Texas, and New York (except New York City) had wage-matching systems which were not automated. These systems simply provided external wage information to local food stamp offices for manual comparison with earnings data in program casefiles. A key problem with this type of system is the extensive amount of time needed to make such comparisons manually and determine whether there are any differences which may indicate potential unreported earnings. Automated matching techniques could eliminate the need to spend time making manual comparisons in cases where there are no differences or only small differences between external and casefile earnings data by automatically excluding those from the list of cases needing follow-up.

Typically, the four states that did not have automated wage-matching systems listed the names and social security numbers of food stamp participants for whom they wanted external wage data and gave this list to the state agency that maintained external earnings information (the unemployment compensation agency or the state department of revenue). That agency then used a computer to search earnings records for the listed individuals and supply data showing participants' names, social security numbers, gross quarterly wages, and their employers' names and addresses. These data were returned to the state food stamp agency which, in turn, sorted out and distributed the information on each participant according to the respective local program office that maintained the participant's food stamp records. The local program offices then distributed the information to caseworkers who manually examined food stamp files, compared participant-reported wages to

wages from the independent source, and decided whether a potentially erroneous issuance situation meriting further follow-up existed.

In contrast, New Jersey (and also New York City), after acquiring external wage data, compared the data by computer with automated food stamp casefile wage data to obtain preliminary indications of instances where a food stamp recipient may not have reported all earned income. The results of that comparison were then forwarded to local food stamp offices for follow-up.

Our review of randomly selected cases referred for wage comparison and further follow-up by local offices in the five states showed that a larger part of the follow-up efforts of caseworkers was unproductive under a manual system than under an automated system. Forty percent of the referrals we reviewed did not reveal potential unreported income in Florida, 39 percent in Texas, 27 percent in Louisiana, 23 percent in New York, and 19 percent in New Jersey. (The New York percentage represents both manual and automated systems.) However, even under an automated matching system, some cases where earnings had been correctly reported to food stamp offices were inappropriately flagged for follow-up because of other system shortcomings discussed in the following section.

Retention and use of computerized casefile earnings data for prior periods is the key to efficient automated matching operations

Retention and use of automated casefile wage data for prior months is a key component of an efficient wage-matching system because wage data available from external sources are always for prior periods. Four of the five state food stamp agencies that we reviewed had not retained such information. The fifth state (New Jersey) had retained it but used data only for the last month of each quarter. Although all five states had food stamp participant-reported wage data in their computer files, four of them kept only the most recently reported monthly wage data. When a change in a household member's income was reported by the household or detected by a caseworker in these four states, the new data would replace the previous wage information, and older data on which previous benefits had been based would be lost from the states' automated systems. If states would use computers to match participant-reported earnings for the same prior period as that covered by the external wage data, the number of cases referred to local food stamp offices for follow-up could be reduced. Also, a larger percentage of the local follow-up on referrals would identify potential unreported income.

New Jersey had automated records of food stamp participant earnings for each prior month but used data only for the last month of each quarter when matching with external wage data. Its officials elected not to use data for each month. They had

expressed concern about the cost of adding historical wage data for each of the 3 months before making the automated comparisons with external wage data. However, they did not have any cost information that would allow any conclusive decisions regarding cost and potential benefits. In June 1984, the Coordinator of New Jersey's Program Integrity Control Section told us that the state was planning to study the cost effectiveness of using actual casefile data for all 3 months.

Even so, the New Jersey system seemed to be more efficient than those of other states we reviewed because a higher percentage of the cases referred for local office follow-up were confirmed as containing income errors. We believe that even more efficient matching results could have been obtained if New Jersey had made full use of its historical wage data. Instead, its system multiplied by three the casefile income for the last month of the match period and used that figure for comparison with the external data.

To illustrate, if a wage match was conducted on first quarter 1983 earnings and food stamp records indicated that a participant reported earning \$200 in January, \$200 in February, and \$500 in March, the matching system would ignore the earnings reported for the first 2 months. Instead, it was designated to multiply earnings for the last month of each quarter by three and come up with quarterly "casefile" income. In this instance, the system would calculate quarterly income of \$1,500 even though the participant had actually reported only \$900. As a result, the amount of participant-reported earnings used for matching with quarterly external data would be accurate only when the participant-reported wages for the last month of a quarter were substantially the same as for the first 2 months of the quarter. In the absence of other complementing verification, such a system would allow participants to underreport income for the first 2 months of each quarter with minimal risk of detection through the matching process.

We examined casefile and external wage data for 160 participants that New Jersey's wage match system had identified for follow-up action. We found that the wage data for 30 participants (19 percent) did not reveal any potential unreported income. Based on our analysis, if the state's system had made full use of its automated casefile data on prior reported earnings for all months of the match period, 22 of the 30 individuals could have been deleted from the follow-up list. Thus, New Jersey, which already had the most efficient follow-up system of the states we reviewed, could further reduce its follow-up efforts through better use of its wage data. New Jersey food stamp officials told us that they recognized the inefficiencies caused by their calculations of participant-reported earnings data for a quarter but did not have any immediate plans for making system changes. They told us that they believed that using actual quarterly earnings data from their automated food stamp casefiles would not be cost effective because of the additional computer cost to combine food stamp earnings data for the 3 months. They recognized that such

an improvement could reduce follow-up time and effort but did not know by how much. We believe such system refinements could result in sizable reductions in the number of cases referred for follow-up action which do not reveal any unreported earned income.

New York City's wage-matching system compared wages by computer but did not have prior period earnings data for food stamp participants. Under the city's system, wage data received quarterly from the state department of revenue were compared with an amount computed on the basis of the most recent participant-reported income shown in food stamp records. The city's procedures called for multiplying by three the most current participant-reported monthly earnings and comparing that total to the state quarterly wage data for the match period. This approach did not ensure an accurate wage match because the city's external wage data were 7 to 9 months old when the data were obtained for match purposes and participants' earning status could have changed during that time.

New York City's approach would be reliable only if there had been little or no change in participants' earnings since the calendar quarter for which external data had been acquired. Accordingly, such a process can result in cases being referred for follow-up even though participant earnings have been correctly reported to food stamp offices. Conversely, such a process can result in overlooking cases that involve unreported earnings. To illustrate, assume that state wage data showed that a participant earned \$3,000 during April through June of 1983 and that food stamp automated casefiles showed that current (December 1983) monthly earnings were \$800. The matching system would generate a quarterly income of \$2,400 for the participant and compare that amount with an external quarterly earnings amount of \$3,000. While the difference could indicate that the participant may have unreported earnings, it also could represent a change (reduction) in earnings in the intervening 6 months, and valuable resources could be spent following up on a participant whose reported income for food stamp purposes might be correct. The same could be true if the calculated quarterly income based on current earnings had been \$3,000 and external wage data showed earnings of \$2,400. What might initially appear to be overreported earnings might simply be the result of an increase in participant earnings during the intervening period.

Matching wages by computer and maximizing the efficiency of subsequent follow-up by local offices would require states to retain prior earnings data on food stamp participants and create a historical wage file. This could be done either by retaining the information on their existing computer systems or by copying the information monthly and retaining it on magnetic tape or another computer-accessible document for use in quarterly matching operations. Total earnings data for 3 months could be added and used to provide a reliable base for comparison with quarterly external wage data.

Food stamp officials in the other three states we reviewed agreed that a computerized system using historical earnings information would be more efficient than their current procedures. Florida, Louisiana, and Texas food stamp officials told us that they were planning to upgrade their automated capability by creating and maintaining an automated file of recipients' prior reported earnings. In June 1984, Texas indicated that it had updated its computer capability to match external wage data with internally reported income and that it expected to obtain the first results in July 1984.

In Florida, the Auditor General had created a separate historical file containing monthly wage data reported by food stamp and AFDC participants, other data used in calculating monthly food stamp and AFDC benefits, and each household's monthly benefits for both programs. Officials of this office had also developed a computer program to use these data and other wage data from an independent source to compute potential food stamp overissuances and AFDC overpayments resulting from unreported income. Results from this computer match were ranked according to the size of the potential overpayment and were provided to field investigators for follow-up action as part of the state's overall audit program.

According to an official in Florida's Auditor General's office who is responsible for updating and maintaining this historical wage file, the quarterly cost is about \$6,000 for food stamp files and \$3,300 for AFDC files. In addition, it costs about \$3,900 for each computer match comparing the historical wage data for these programs with wage data obtained from external sources. The Florida food stamp agency did not have information on the specific costs of its existing computer-assisted operations because such costs were included in the \$8,000 quarterly cost of a current combined matching system which included wage matching, unemployment compensation matching, and other types of matches.

Auditor General officials told us that their system allowed much more cost-effective use of staff resources because it eliminated costs that would be associated with follow-up actions on large numbers of cases in which there were no differences between participant-reported and employer-reported wage data.

At the time of our review, officials from Florida's food stamp office and the state Auditor General's office were discussing the possibility of using the Auditor General's files and procedures for conducting food stamp wage matches. State food stamp officials stated that the Auditor General's computerized wage-matching format would be more efficient than their current wage-matching procedures and had requested Service approval to use it to meet the Food Stamp Program's wage-matching requirements. The Service provided tentative approval of this proposal in March 1984.

Texas and Louisiana were studying ways to increase their automated capability by building and maintaining an automated file of participants' prior reported earnings for use in computer wage matching. The food stamp officials in these states said that they had not yet established criteria on the types and amounts of data to be retained in the historical wage files.

CASELOAD COVERAGE AND DOLLAR TOLERANCE  
CRITERIA FOR FOLLOW-UP WORK MERIT ATTENTION

Other wage-matching aspects which the Service needs to address include the coverage of matching operations and criteria (dollar value) for identified wage differences. Four of the five states we reviewed did not carry out matching operations on participants who had received food stamp benefits during the match period unless they also were currently receiving benefits. In addition, states had established varying procedures and limits for deciding whether an identified amount of potential unreported income was large enough to merit follow-up to verify the accuracy of participant-reported income.

Matching coverage should include  
all former participants

Texas was the only state of the five we reviewed that obtained external wage data for all current recipients as well as for all those who had received benefits during the wage match period. The other four states focused on their current caseloads.

New York State food stamp officials said that they omitted former participants from wage-matching coverage because the privacy provisions in state law prohibited them from using state tax data for wage-matching purposes if the individuals were no longer receiving benefits. Florida and Louisiana excluded former participants because their systems were designed to obtain wage data only on current participants who were scheduled for recertification of benefits. New Jersey's policy was to obtain external wage data only for current participants who also had received benefits during the period covered by the external wage data. As a result, the Florida, Louisiana, New Jersey, and New York systems did not obtain external wage data for all members of households that had received benefits during wage match periods.

Food stamp regulations are silent as to who should be covered by wage matching. We understand states' emphasis on their current recipients and believe that their priority on preventing further overissuances is well founded. However, the regulations require states to establish claims and pursue collections on any identified overissuance. We believe that wage matching is ideally suited to detecting overissuances not only to current participants but also to former recipients, especially those who were receiving benefits during the periods covered by the wage match.

Matching for former participants may be almost as important as for current participants, especially in the Food Stamp Program where participants tend to stay on the rolls for shorter periods than in the AFDC Program. This factor, combined with the use of external wage data that are usually at least 6 months old and the exclusion of former participants, could result in a state's missing substantial potential overissuances. While the actual length of time a participant could obtain benefits without being subject to wage matching could vary from state to state, in New Jersey, which was using wage data that were 6 months old, an individual could conceivably have received benefits for 8 months without being subject to wage matching. For example, external wage data for the quarter ended December 1982 were requested in June 1983 and would have covered participants who were on the rolls in that month and who also received benefits during the period October to December 1982. Consequently, a person who started receiving benefits in October 1982 but who left the program by May 1983 could have received as much as 8 months of benefits but would not have been included in any of the state's wage matching.

Although none of the four states that excluded former participants had data on how many had dropped out of the program without being subject to wage matching, we found some indication that a substantial amount of unreported income might be involved. In Texas, the state agency requested wage data from the unemployment compensation office for participants who received food stamp benefits during the match period regardless of whether they were currently receiving benefits. Sixty-eight cases, about 58 percent of the 118 randomly selected wage match cases we reviewed at two local program offices, were for households that were no longer receiving food stamp benefits. Potential wage differences existed for 42 of the 68 cases. These 42 cases accounted for about \$59,000 in potentially unreported income, an average of about \$1,413 per case. The \$59,000 was about 70 percent of the total potential unreported income identified in the 118 cases.

Excluding former participants from wage matching prevents verification of whether previous benefits issued them were correct. This in turn prevents establishment of any claims that may be appropriate. Moreover, if individuals who had inaccurately reported their incomes subsequently reapply for food stamp benefits, local program offices would have no knowledge of any prior overissuances the individuals had received and would have no basis for taking steps to recover such amounts.

Uniform dollar limits should be developed  
for initiating follow-up action

It would not be practical for states to perform detailed follow-up work on any potential income error identifiable through wage matching. Some amounts like \$5 or \$10 would, in all likelihood, cost more in administrative effort than could possibly be recovered by completing all of the detailed follow-up steps.

Existing Service regulations recognize the concept of establishing minimum dollar thresholds for taking action in the program. For example, food stamp regulations specify that participants must report any changes in income of \$25 or more a month. However, the Service has not established any dollar criteria as to what amount of wage match difference warrants state or local office follow-up action. In the absence of Service guidance, Florida, Louisiana, and Texas officials adopted the same \$25-a-month threshold established for participant-reported income changes and have opted to follow up on wage match differences of \$75 or more a quarter. New Jersey officials adopted a threshold of \$100 a quarter.

New York did not establish a dollar threshold but forwarded for local follow-up any new wage-earning participants and any other participants for whom external wage data for the most recent two quarters showed an increase in earnings of 20 percent or more. Under such an approach, however, cumulatively large increases in externally reported earnings might not be identified for follow-up. More importantly, increases in external earnings data might not have any relationship to the participant-reported earnings on which current benefits are based.

For example, if a household had reported earned income of \$400 per month when applying for food stamp benefits, the local office should have verified that earned income amount before issuing any benefits. Under New York's wage-matching system, the household would have been designated for automatic local office follow-up for the first wage match period for which it had received benefits and annually thereafter. The local office would not compare the external wage data with casefile information for intermediate quarters unless the state match showed at least a 20-percent increase in earnings since the prior quarterly match period.<sup>1</sup> If household income had increased by 15 percent during the second and third quarters, and the household had not reported the changes to the local food stamp office, monthly income could be about \$530 by the end of the third quarter. Because the state system would not trigger any requests for local follow-up for such cases, overpayments could continue and there would be no way of knowing whether claims should be established to recover overpayments unless the correct information was discovered by some other method, such as during a routine recertification to determine eligibility for continued benefits.

Generally, state food stamp officials whom we interviewed said they were concerned that follow-up actions be cost effective, but they did not have cost and benefit information which could be used to establish dollar criteria for pursuing wage differences identified in their wage-matching systems. The officials said

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<sup>1</sup>As we reported earlier, New York compared information from the most recent external wage match with that obtained for the previous period.

that the Service should establish such tolerances for use in pinpointing cases that merit follow-up. We believe that such guidance would be desirable to prevent relatively large income errors from going unnoticed.

THE SERVICE SHOULD PROVIDE  
MORE GUIDANCE FOR IMPLEMENTING  
WAGE MATCH SYSTEMS

The Service said that its primary concern had been to ensure that all states met the implementation date and other criteria required by law and that how well states were implementing the requirement should be a later concern.

Service regulations generally reiterated the legislative requirements for wage matching regarding such matters as data sources, implementation dates, match intervals, and required use of the data. However, neither the regulations nor other published material provided needed guidance on what should be considered in developing a good matching system. For example, there was no specific guidance regarding the matters discussed in this chapter, such as (1) automated matching of wages, (2) caseload coverage, or (3) dollar tolerances for initiating wage match follow-up.

Food stamp officials in the states we reviewed told us that they recognized that their wage-matching systems could be improved, that upgrading their computer wage-matching capability would yield more efficient use of local office staff resources, and that Service guidance would be helpful. On the basis of our work, we believe that the Service should provide additional guidance in the areas of automating comparisons of external and casefile earned income data, the households that should be included in the recurring matches, and potential income errors requiring local office follow-up.

The Service's Deputy Administrator for Family Nutrition Programs agreed that state wage-matching systems could be improved and said that after states have started matching operations, the Service will be able to focus on the efficiency and effectiveness of the systems. He said that the next item on the Service's wage-matching agenda is to develop guidance on what practices would yield effective matching operations. However, he said that the Service will continue its policy of allowing states maximum flexibility because of their varying capabilities for carrying out this function. He told us that the Service would welcome the opportunity to draw on the hands-on experience of the Department's Inspector General and other federal agencies (such as the Department of Health and Human Services) with prior wage-matching experience. One Service official said that the President's Council on Integrity and Efficiency had given much attention to wage matching and should be a prime source of technical assistance.

The Department's Inspector General has strongly supported wage matching and over the past 3 years has conducted various local and statewide wage matches on food stamp participants. In July 1982, the Office of Inspector General told the Service that it believed that the Food Stamp Program's wage-matching regulations needed revision to clearly spell out how states that were not computerized or only partially computerized would accomplish wage matching.

States could also obtain helpful information from other state agencies that are already implementing more sophisticated matching techniques. For example, an official of the Florida Auditor General's office who is responsible for the computer wage matching being done by that office said Florida would share its computer programs and practical experience to assist other states in designing efficient systems.

#### STATES USE THE SAME WAGE-MATCHING SYSTEM FOR THE AFDC PROGRAM

The states we reviewed used the same wage-matching system to meet the wage-matching requirements for both the Food Stamp and AFDC Programs. Consequently, the efficiency problems states encountered in conducting food stamp wage matches were also experienced in performing AFDC wage matches. States relied heavily on local office caseworkers to manually compare external wage data to participant-reported income in AFDC case records. States were not obtaining wage data for matching on former AFDC participants who were receiving benefits during the wage match period. Because states were using one system to perform wage matches, any improvements made to enhance the effectiveness of the system should benefit both programs. Also, since the systems serve both programs, the agencies that administer the Food Stamp and AFDC Programs should coordinate their efforts to address problems in performing wage matches. According to the Service's latest food stamp household characteristics survey, in August 1982 nearly 42 percent of all food stamp households also received benefits under the AFDC Program.

#### CONCLUSIONS

The wage-matching systems being used by the five states we reviewed could be made more effective and efficient through greater use of automated procedures, broader program coverage, and use of effective tolerances in pursuing wage differences. Active federal involvement in guiding and assisting states to improve their matching systems would benefit not only the Food Stamp Program but also the AFDC Program--both of which used essentially the same matching systems in the states we reviewed. The Agriculture Department's Office of Inspector General could be of assistance to the Service in developing improvements to states' current matching systems.

RECOMMENDATIONS TO THE  
SECRETARY OF AGRICULTURE

We recommend that the Secretary direct the Administrator of the Food and Nutrition Service to:

- Issue policy guidance to improve the efficiency of states' wage-matching systems for identifying and referring for follow-up specific cases involving potential overpayments. This initiative should describe the most efficient automated methods for identifying those participants who may not have reported all their earned income; require states to obtain and compare earned income information for all households that received benefits during the period for which external wage data is being obtained; and establish dollar criteria on the amounts of potential income errors which require local office follow-up. In doing this the Service should work cooperatively with the Department of Health and Human Services whose Office of Family Assistance administers the AFDC Program. The Service also should solicit assistance from both Departments' Offices of Inspector General and from state agencies that have experience with effective wage-matching techniques.
- Modify Service regulations concerning increased federal participation in states' cost to develop, install new, or upgrade existing computer systems to require that states' systems retain historical data on participant-reported earnings. This should enable states to carry out automated matching in a way designed to make the most effective and efficient use of local offices' staff resources in following up on potential income errors identified through wage matching.
- Work with states which already have computer capability to establish and implement systems to conduct automated comparisons of external and participant-reported wage information for the same calendar period.

AGENCY COMMENTS AND OUR EVALUATION

Department of Agriculture

Agriculture agreed that the effectiveness of states' wage matching could be improved and said that it was now focusing on the efficiency and effectiveness of state systems. (See app. II.) It also said that our report was constructive and informative and that it would be helpful in the Department's efforts to pursue refinements to current wage-matching activities.

Agriculture said that as it carried out its efforts to increase the efficiency and effectiveness of states' wage-matching systems, it would continue to allow states maximum flexibility in

this area of food stamp operations. It noted that states had recently improved their matching operations and cited advances in computer development, knowledge of prioritization techniques, and follow-up strategies. It pointed out that various states have different problems in implementing the wage-matching requirement and said that they need administrative freedom for solving these diverse problems, establishing priorities, and assigning resources.

We recognize that states have varying capabilities and resources for conducting and completing wage matches and that flexibility is needed to address the varying problems they face. We believe that implementation of our recommendations would enable more efficient use of state resources and concurrently greatly improve states' wage-matching efforts, while providing flexibility to address the varying problems states face.

Certain components of an efficient wage-matching system such as computer capability, retention of automated casefile earnings data, coverage of all former participants, and uniform dollar limits for initiating follow-up are essential in maximizing the intended impact of wage matching. To help states carry out the wage-matching process more efficiently, the Service should issue policy guidance on the most appropriate and effective wage-matching steps that would be applicable both to states that have and do not have computer capability. The Service should point out to states which either do not have or are not fully using their computer capability that the efficiency and results of their wage-matching activities could be improved if they would use, or more effectively use, computers to compare external wage data to participant-reported earnings recorded in food stamp casefiles.

#### Department of Health and Human Services

HHS supported all of our recommendations and noted that it had taken specific steps to improve states' wage-matching activities in the AFDC Program. (See app. III.) HHS said that it had anticipated the need to monitor state compliance and provide guidance on wage-matching activities. Accordingly, it had issued a review guide which it said its regional offices were using to evaluate states' use of wage and benefit data.

This guide, which provides HHS an approach for identifying and assessing weaknesses in states' wage match operations, is a necessary step for monitoring and improving states' matching efforts. In developing the review guide, HHS focused on some of the basic elements of an effective wage-matching system. However, HHS acknowledged that it needed to develop definitive guidelines for states regarding the application and use of the data, both for automated and manual techniques. The Department said it planned to examine ways to develop such guidelines. It also planned to continue its ongoing discussions with Agriculture staff on the use

of standardized formats for computerized matches and on the development of food stamp regulations. We share HHS' belief that states need definitive wage-matching guidelines and endorse such a joint effort between HHS and Agriculture to develop such guidelines. We believe that such a cooperative effort is a necessary step for achieving more efficient and effective state wage-matching practices.

#### State agency comments

The five states covered by the review generally agreed with all of our overall conclusions and recommendations. Florida, New York, and Texas submitted written comments (see apps. IV, V, and VI) and New Jersey and Louisiana provided oral comments. Louisiana officials told us that they agreed with the substance of our report. Florida and Texas were proponents of the need for additional automation of wage-matching operations. Florida said that our report corroborated the use of an exception-based wage-matching system, an approach it anticipates taking in October 1984. The state believed that enhancing automation of wage matching would minimize the manual effort required to identify potential overpayments and improve the overall efficiency of local food stamp offices. Similarly, Texas told us that its upgraded capability would allow state eligibility determination workers to do a better job of follow-up on potential unreported income surfaced through wage matching.

New Jersey told us that it was planning to study the cost and benefits associated with using participant-reported wage data for all 3 months of an earnings period. As noted in the example on page 10, the state's current wage-matching system could allow participants to underreport income for the first 2 months of each quarter with minimum risk of detection. We believe that such a study is warranted and that the effectiveness of New Jersey's wage-matching operation would be improved if employer-reported earnings were compared to actual participant-reported income for the same period.

New York said it had considered modifying its wage-matching system to conduct an automated comparison of employer-reported wage data with food stamp budget data for the same period. The state indicated that it placed a higher priority on developing the use of wage matching as a front-end eligibility tool, thereby emphasizing cost avoidance rather than after-the-fact adjustments. We agree with New York that external wage data can be effectively used as a tool for verifying applicant-provided data before any benefits are issued. However, because external data are normally at least 6 months old, the data are at best an indication of whether a household member was previously employed. Thus, further follow-up would be required to verify current employment and earnings. We believe that such initial wage-screening initiatives are valuable and necessary, but we also continue to believe that wage matching is an invaluable tool for detecting any unreported

changes that may have taken place since the household was originally determined eligible for benefits. Such initiatives are needed to detect whether households received more benefits than they were eligible for and to prevent any potential ongoing overissuances.

## CHAPTER 3

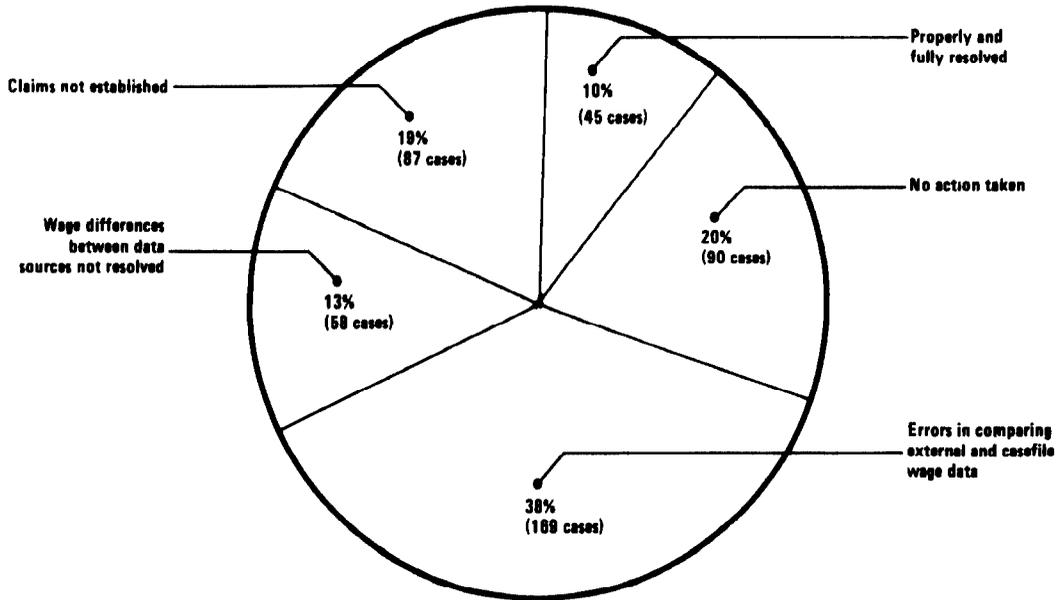
### BENEFITS OF WAGE MATCHING NOT FULLY ACHIEVED

Wage matching can be an effective method for improving the integrity of needs-based programs such as the Food Stamp Program and the AFDC Program. However, much of the benefits of wage matching were not achieved in the five states we reviewed. A major reason was that the local offices frequently did not take appropriate steps in comparing the external wage data made available to them with earnings data in program casefiles and following up on differences. As a result, the local offices did not identify significant amounts of potential unreported earnings, determine the correct amounts, and use the results to adjust current participants' benefits and establish claims for prior period overissuances.

These problems were attributable to several interrelated factors. As discussed in chapter 2, four of the five states did not use automated systems to match the two sets of wage data and flag for follow-up the cases likely to involve unreported earnings. Consequently, these states' wage-matching systems intensified time demands on caseworkers. At most local offices in these states, caseworkers who were primarily responsible for basic program eligibility determinations also were responsible for manually matching wages on a case-by-case basis and following up on the results to resolve identified differences. Because these wage-matching duties were very time-consuming and generally had lower priority than regular eligibility determination and redetermination duties, they often were not done or were not done timely and correctly. More effective monitoring of local follow-up work could have brought these problems to state agency headquarters attention for corrective actions. Additionally, caseworkers had not received adequate training and guidance on how to perform the necessary follow-up casework and had not been apprised of performance expectations for completing wage-matching operations and the related claims and benefit-adjustment actions.

We reviewed 713 food stamp cases randomly selected from wage match listings forwarded to the local offices for follow-up by the five states. For the 3 months covered by the wage matches, the data showed potential unreported earnings of about \$404,000 for wage earners in 446 (63 percent) of the cases. The potential unreported earnings ranged from about \$80 to \$6,000 per case. We found that the local offices correctly followed up on only 45 of these cases. Local offices either did not follow up on the remaining 401 cases or the follow-up was not done properly. As a result, current benefits could not be adjusted or a claim established, as appropriate. Local office actions on these cases are shown in the following chart and discussed in subsequent sections of this chapter.

Results of Follow-Up Actions on the 446 Wage Match Cases<sup>a</sup>



<sup>a</sup> Three of the cases had two reasons why they were not followed up correctly and are included in more than one category

We found that 146 of the 446 food stamp participant households with potential earned income errors also had received AFDC Program benefits based on potentially unreported earned income. The potential unreported income for the 94 cases which were not handled properly was about \$78,000 for the 3 months covered by the wage match. (Additional information on the results of our analysis of AFDC Program wage matching can be found on pages 29 and 30.)

SOME WAGE MATCH CASES WERE PROPERLY AND FULLY RESOLVED

Making the most effective use of external wage data requires establishing and carrying out the appropriate steps to determine whether participants reported income accurately. If errors are found, the wage-matching and confirmation work must be followed by action to adjust eligibility and current monthly benefits and establish claims for previous overpayments. Service regulations require states to use external wage data for these purposes but do not instruct them how to perform these functions. Instead, the Service believed states should develop their own follow-up procedures. Accordingly, it required states to develop follow-up procedures and corrective action requirements, including time frames within which action should be taken on the wage data obtained from the external sources.

The following is a general description of procedures that state headquarters and local food stamp agency staff need to follow to make the most effective use of earned income data obtained from external sources. As we discuss later in this report, not all states we reviewed established such procedures formally. However, for those cases involving potential unreported income which we found to be handled correctly, state and local officials had completed these or similar steps in order to verify participant income, to adjust current benefits, and to establish claims, as appropriate.

After receiving wage information from an external source, food stamp agency headquarters in states not having a fully automated matching system prepared and sent to their local offices a separate document for each wage-earning participant for whom matching and follow-up action was required. A control listing of the documents for individual cases also was sent. The individual documents contained the wage earner's name and social security number as shown on food stamp records and the quarterly earnings and employer name from the external wage data source. New Jersey, a state that had automated (computer) matching of external and casefile earnings data, did not forward for action by local food stamp offices any comparisons showing small or no differences between external data and casefile earnings. This sharply reduced the number of wage-earning participants for whom follow-up action would be needed. (See p. 8 for a discussion of how states identified cases needing follow-up action by local offices.)

Depending on local office organization, documents on cases requiring matching and/or follow-up were sent either to the caseworkers normally responsible for handling eligibility determinations for those cases, or to a special unit designated to handle wage match cases. Subsequent steps included reviewing casefiles to match the external wage data with participant-reported earnings shown in the casefiles. This comparison should establish whether (1) the wage earners had been members of participating households that received benefits during the match period, (2) names and social security numbers were the same on both casefile and external wage records, (3) participant-reported earnings differed from the external wage data by more than specified dollar amounts, and (4) the indicated wage differences would have affected benefit levels.

Any material differences disclosed through comparisons of external wage data sources and casefile data are treated as potential "hits" which require additional documentation before taking any action to adjust household benefits or attempting to recover prior benefits. This is because the external sources may not always accurately reflect actual household income. Therefore, local officials must confirm any potentially inaccurate reported income by obtaining additional documentation from the employer or household, as appropriate. One example would be to require the participant household to provide appropriate documentation, such

as wage slips, or by obtaining information directly from the employer on the participant's earnings for the match period and any previous or subsequent months that the individual received benefits. If the confirmation steps showed that the household did not accurately report household earned income, the follow-up process was to be completed by calculating the total overissuance, setting up a claim, and adjusting current benefits as necessary to prevent any additional overissuances.<sup>1</sup>

Of the 446 cases we tested involving potentially unreported earnings, local food stamp offices in the five states had correctly followed up on 45 (10 percent). For nine of these cases, participant-reported earnings and benefit issuances were found to be correct. These nine cases had initially appeared to involve potential unreported income because of fluctuating monthly earnings or errors in the external wage data used for matching. Claims totaling about \$14,930 were established for the other 36 cases. Individual claims varied from \$30 to \$3,040 with the average claim per case being about \$415. In 19 of these cases, current benefits also were reduced. The other 17 cases did not require benefit adjustments because current wages had been accurately reported or the household had dropped out of the program.

NO ACTION OR INAPPROPRIATE  
ACTION TAKEN ON MOST CASES

Of the 446 cases involving potential unreported earnings, 9 of every 10 cases were not handled properly so that current benefits could be adjusted or claims established, as appropriate. The problems ranged from taking no follow-up action to taking appropriate follow-up action but not using the results to establish claims after all the necessary wage confirmation work had been completed. In other instances, caseworkers made improper wage data comparisons or computations, or properly established that there was a difference between casefile and external earnings data but then did not confirm with the household or the employer which earnings figure was correct.

Although these problems limited the benefits of wage matching and resulted in wasted time, effort, and cost, the states did not have effective systems to identify such shortcomings for remedial attention. State and local program officials attributed the weaknesses to inadequate staff resources and the lack of clear guidance and training on how to use wage match data.

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<sup>1</sup>Service regulations require state agencies to establish a claim against any household that receives more food stamp benefits than it is entitled to receive.

### No action taken

States did not do any follow-up work for 90 (20 percent) of the 446 cases. Consequently, any overissued benefits associated with these cases were undetected and, except for our work, could have continued so unless detected during a subsequent wage match or through other program operations such as routine recertification.<sup>2</sup> The average unreported quarterly income for each of these cases was about \$960 and ranged from \$100 to \$5,420.

Nearly all the cases that were not followed up were at four local offices--two in Texas, one in Florida, and one in New York. These four offices assigned wage match follow-up work to caseworkers to handle in addition to their primary duties of making eligibility determinations. Because the matching systems under which these offices operated did not screen out by computer cases involving no wage differences or differences within established tolerances, caseworkers were faced with the time-consuming task of checking casefile information on large numbers of participant wage earners just to match the two sets of wage data to find out if there might be unreported earnings.

Caseworkers at each of these offices explained that because current eligibility determinations were their first priority, they could work only on wage matches of income reported for prior periods as time permitted. They said that if they were unable to complete work on the wage data for a particular quarter by the time the next quarter's wage data arrived, work on the older data was discontinued and available follow-up time was concentrated on the newer wage data. Their supervisors said that wage-matching work was a secondary responsibility and that work on wage match data would continue to lag as long as caseworkers had a heavy eligibility determination workload. According to Texas' Commissioner of Human Resources, their new computer capability should allow local offices to do a much better job of following up wage match cases.

### Errors in comparing external wage data with participant-reported data in food stamp files

The first step in working with external wage data is to compare it with casefile data for the same time frame to see if there are any differences in employer names or reported earnings. Food stamp workers did not do this properly for 169 (37 percent) of the 446 cases. Among the types of errors made were comparing employer names but not earnings amounts, comparing wage data for different time periods, and making computational or other errors. Because

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<sup>2</sup>These are periodic evaluations of participants' financial and other applicable circumstances to determine if the household is still eligible for benefits and, if so, to adjust the current monthly benefit, if appropriate.

of the mistakes in processing these 169 cases, potential unreported quarterly earnings of about \$142,000 averaging \$840 a case were missed. The amounts ranged from \$80 to \$4,830 per case.

#### Wages not compared

Although comparing employer names can help show whether earnings from all employers were reported by participants, it is essential that the wage amounts be compared and differences identified for follow-up. For 45 of the 169 cases, caseworkers did not compare wage amounts listed on wage match documents to those in the casefiles; instead, they compared only the names of the employers. If the employer names were the same, the caseworkers assumed the wages were correctly reported by the participant and went no further.

In one case, for example, the wage match document showed that the participant had earned \$4,295. The caseworker checked to see that the employer's name on the match document was the same as in the food stamp casefile and concluded that the participant-reported earnings were correct. Our review of the food stamp casefile showed that the participant had reported only \$1,305 in wages from that employer--a difference of \$2,990.

#### Earnings compared for different time periods

In 29 of the 169 cases, caseworkers did not compare external wage data to casefile wage data for the same time periods. Although data on participant-reported earnings for the 3-month match period were available in the casefile, caseworkers compared external wage data with other inappropriate information, such as participant-reported earnings applicable to more recent periods or external wage data covering earlier periods.

For example, a caseworker missed discovering potential unreported quarterly earnings of \$2,015 by comparing the earnings amount on the wage match document with earnings information more recently reported by the participant. Follow-up action was stopped and the case was considered correct because the earnings amounts were similar. However, our examination of casefile data showed that the participant reported no wages for the 3-month period covered by the external wage data. In another case where the most recent external wage match document showed \$2,090 in wages, the caseworker compared that amount with an amount shown on an external wage match document received in a previous calendar quarter, instead of with participant-reported information in the food stamp casefile. If the proper comparison had been made, it would have shown that this participant had reported no earnings for the most recent 3-month wage match period.

## Incorrect computations and other errors

Other kinds of errors were also made and led to missing potential unreported income for 95 of the 169 cases. The nature of these errors showed a need for more attention to the step-by-step elements of wage matching.

Accurate comparisons of participant-reported earnings with external earnings data (usually for a calendar quarter) require that the caseworker determine from casefile application data, or from subsequently reported changes, the earnings applicable to each month covered by the wage match and then add the monthly amounts to get a quarterly figure. We found nine cases (2 percent) in which income data in the casefile had not been added correctly.

In nine other cases, we found that the caseworker had erred in concluding that the wage earner had not been receiving benefits during the match period. This type of error can result in major program losses. The average potential unreported income for these nine cases was \$1,030 ranging from \$100 to \$1,800.

Sixteen cases (4 percent) were dropped from further consideration because caseworkers decided that the difference between external wage data and casefile earnings amounts was not large enough to pursue. We recognize that there are certain levels below which it may not be practical to pursue wage differences. This is why the Service needs to establish guidelines on the minimum dollar amount of a potential income error that requires follow-up action (see p. 26). In the interest of obtaining reasonable and consistent treatment of wage match cases, such decisions should not be left to individual caseworkers to make independently. The differences in these 16 cases were above the \$75 tolerance we found to be most commonly used. The average difference was \$370 and the amounts for individual cases ranged from about \$80 to \$1,470.

Errors in 45 cases (10 percent) could not be easily classified into specific categories. For example, in one case the external wage document indicated that the participant earned \$1,875 during the quarter. The caseworker reported that the food stamp casefile could not be located and did not pursue verifying the external wage data. However, when we reviewed this particular case, the casefile including the external wage document was located at the local office. The average unreported quarterly earnings in these 45 cases was about \$900 and the amounts ranged from \$90 to \$4,830. In an additional 16 cases, caseworkers could not recall why they had missed detecting unreported earnings. These cases involved average unreported earnings of \$1,360 a quarter and ranged from \$250 to \$4,440.

Differences between external and casefile earnings data must be resolved

Cases with material wage differences between external and casefile earnings data represent potential overpayment situations which require additional staff work to determine the correct amount of earnings for the periods involved. Until local offices obtain documentation showing a participant's true earnings, there is no valid basis for establishing claims, starting collection action and, where appropriate, correcting current benefits.

In 58 (13 percent) of the 446 cases, local offices had identified differences between external and casefile earnings data. However, they had not obtained the needed documentation from the household or the wage earner's employer to confirm whether there actually was an underreporting of earnings. Based on our review of casefiles and discussions with local officials, we found that local office staff either had not requested wage confirmation from the participant or employer or had not sent additional inquiries when an employer did not respond to an initial request for wage confirmation. Local office staff told us that they had not been able to obtain this information because households either would not or could not supply documentation on actual wages for past periods or they (local office staff) were too busy to follow up with employers who did not respond to initial inquiries. Consequently, local offices were missing opportunities to establish claims and adjust current monthly benefits.

Of the local offices we reviewed, only those in New Jersey followed up with employers who did not respond to requests for wage information. State food stamp officials told us that the New Jersey State law which authorized use of state tax data for wage matching also provided local food stamp offices authority to subpoena wage information from employers. We found a few cases where the state had used its subpoena power to obtain wage confirmation needed for matching operations, but the state did not have overall information on (1) how often employers did not provide requested wage confirmation or (2) how often such subpoenas had been used.

Claims not established

Of 87 cases (19 percent) for which local staff had verified that participants did underreport their earnings, the staff had adjusted current food stamp benefits for the 23 cases where the income levels of current participants required such changes. However, they had not established claims for prior-period food stamp overissuances for these 87 cases.

Because the same wage-matching systems were used for both the Food Stamp and AFDC Programs (see p. 17) and about one-third of the wage match cases we reviewed involved participants who had received both food stamp and AFDC benefits, we determined whether there was any difference in claims establishment performance. We

found that when unreported earnings were discovered in these cases, the caseworkers often acted to recover the AFDC overpayments but not the food stamp overissuances. The 87 cases for which food stamp claims were not established involved situations where (1) the participant had received both food stamp and AFDC benefits but claims were established only for AFDC overpayments or (2) low priority and few resources were given to establishing claims for cases involving only overissued food stamp benefits.

The local offices we reviewed in New Jersey and New York City had done a comparatively good job in obtaining the information needed to take action on the sample wage match cases we reviewed. However, they accounted for 75 of the above 87 cases for which food stamp claims should have been established but were not.

New York City officials said that it had been their policy to pursue recovery only for AFDC overpayments. However, they told us that after the Service issued its February 1983 regulations allowing collections by reducing current participants' monthly benefits, they had changed their policy and directed local offices to also recover food stamp overissuances. New Jersey food stamp officials said they were not aware that claims were not being established for food stamp overissuances because the state's monitoring system for wage-matching follow-up did not collect information on whether or not the local offices were establishing claims on cases with unreported income.

Claims had not been established for food stamp overissuances in 66 of the cases we studied because such work had a lower priority and few staff resources were used for this purpose. This problem was most evident in five local offices we reviewed in Louisiana, New Jersey, and New York. Although food stamp overissuance cases were referred to a special unit for claims processing at these offices, heavy workloads had caused backlogs of a year or more for cases awaiting establishment of claims. Claims may eventually be established for these cases, but we believe that the older a claim case gets, the less likely that the overissuance will be recovered. Moreover, the opportunity to recover overissuances by reducing current monthly benefits may be missed.

#### FACTORS CONTRIBUTING TO FOLLOW-UP PROBLEMS

The basic factors inhibiting effective follow-up on wage match cases included (1) the strain on local office resources available to carry out wage-matching operations, (2) the lack of adequate guidance and training given to caseworkers concerning how to complete wage-matching activities, and (3) the lack of effective state monitoring to ensure timely and accurate follow-up actions. Service guidance on the follow-up steps to be taken and its evaluation of states' use of wage data would help to emphasize needed improvements.

The resource problem affected follow-up activities in each of the states we reviewed but took the largest toll in the states where comparisons of wage data from external sources with wage data in food stamp records had to be made manually. As discussed on page 8, such manual matching required extensive staff resources which could have been used to better advantage in following up on potential wage differences identified through more automated procedures. Local staff also cited the shortage of time available for matching activities because of their need to devote adequate time to making basic eligibility determinations on initial applications and subsequent recertifications.

Our review showed that the five states had not done enough to make sure that caseworkers had adequate instructions for completing wage match follow-up procedures. Two states had not prepared detailed guidance as of the period of our review. The other three either had incomplete guidance or had not made certain it was available to all local food stamp agency staff. In addition, the states had provided caseworkers with little if any training on wage-matching procedures.

Texas' procedures manual had a section on wage matching, but it focused primarily on actions local offices should take after comparing external wage data with participant-reported data in food stamp files. Thus, it did not cover in sufficient detail the procedures necessary for determining if there was any potential unreported income or the steps for verifying the income data that had been used to calculate eligibility and benefit levels. Louisiana and New York had issued administrative orders containing specific follow-up procedures, but the orders had not been made part of the states' procedures manuals. Instead, they had been provided to caseworkers on a one-time basis and were not routinely issued to new employees. New Jersey held an initial training session for local office supervisors and had not issued instructions for wage-matching activities because the state said it relied on local office supervisors and their fraud units to instruct caseworkers. At the time of our review, Florida's procedures manual did not include instructions for wage matching, but the state food stamp office was developing that information. According to a state food stamp official, in December 1983 Florida subsequently completed and distributed this information to its local offices.

In addition, only 14 of the 103 caseworkers we interviewed at the 14 local offices had received formal training on how to properly carry out wage-matching activities. They told us that orientation training provided to newly hired caseworkers usually included only a brief mention of wage matching. On-the-job training sessions on wage matching at local offices usually addressed the numbers of matches to be completed and the associated reporting requirements. However, local caseworkers told us that there had been very little emphasis on how to identify and pin down potential unreported wages. Local offices generally relied on the

caseworkers' immediate supervisors to provide on-the-job training, but the supervisors sometimes did not know what the correct procedures were. For example, supervisors in three local offices we visited had instructed caseworkers to compare employers' names shown on the wage match documents to the names shown in the food stamp records and did not tell them to compare the wages reported by the two sources.

Each of the five states we reviewed were preparing and forwarding to their local offices lists of cases needing follow-up. They also had established some procedures for feedback from the local offices; however, the extent of actual monitoring done by the states was unclear. None had taken steps to check on the accuracy of the work done by the local offices. State food stamp officials told us that they depended on local office supervisors to ensure that follow-up work was conducted properly but their policies did not require supervisory reviews of follow-up activities. Also, states' periodic management evaluations of local office operations did not address how well wage match follow-up activities were being handled.

Food Stamp officials in these five states said that their wage match follow-up problems could be reduced substantially by refinements in their basic matching systems. They told us that to the extent they could avoid having local offices spend time manually matching cases which did not contain errors, more time could be made available for working on cases with errors. However, they also generally agreed with the need for better instructions and staff training on follow-up procedures and for better state monitoring of local follow-up activities. Florida, Louisiana, and Texas officials said they were revising, or planned to revise, their food stamp manuals to provide more specific instructions for follow-up activities. New Jersey and New York officials said they did not expect to issue additional instructions because their counties have primary responsibility for carrying out follow-up activities. Regarding their monitoring activities, state food stamp officials said they were considering revising their periodic management evaluations of local office operations to include an assessment of the adequacy of wage match follow-up activities. According to officials in Florida and New Jersey, in September and October 1983, respectively, the states set up procedures and began monitoring and evaluating local offices' follow-up activities.

Service regulations specifically require that the states

". . . develop follow-up procedures and corrective action requirements, including timeframes within which action should be taken, to be applied to data obtained from wage matching. Follow-up actions shall include, but not be limited to the adjustment of benefits and eligibility, and the filing of claims, as appropriate. . . ."

However, additional Service guidance is needed on the specific follow-up steps to be taken, the time frames that would be reasonable, and the types of management controls that would ensure proper disposition of cases containing potential income errors. Additional Service evaluation and feedback on state matching activities could help increase the number of potential overpayments identified and acted on to stop ongoing overpayments and collect previous overpayments.

Except for Florida, the states we reviewed had not received feedback from the Service on the adequacy of their follow-up activities. In 1982, the Service's Southeast Region examined wage match follow-up activities in Florida as part of a state operation review that addressed special corrective actions needed to reduce the state's high error rate. The Service found that caseworkers were not correctly following up on wage matches and were sending cases to special fraud units without confirming reported earnings with employers. The Service's report recommended that the state hold local office supervisors more accountable for follow-up activities and have the caseworkers confirm earnings with employers.

Other than the above, the Service's regional offices generally had not monitored states' wage-matching activities before 1983 when wage match requirements became effective. Although Service headquarters had not directed its regional offices to monitor state follow-up activities at the time of our review, the three regional offices covering states we reviewed were planning to review those activities during their periodic evaluations of state operations. The regional officials said, however, that food stamp regulations need to provide specific requirements for state wage-matching activities for use as criteria in evaluating the states' operations.

Service headquarters officials told us that the states should be given flexibility in implementing wage-matching requirements and that they therefore do not plan to change regulations to set forth more detailed requirements for state matching activities. At the time of our review, Service officials said that their principal objective was to get states to install wage match systems that met the minimum requirements. They also said they were considering sanctioning states which had not installed acceptable systems. They told us that in the future they will be examining the states' follow-up activities by specifically addressing them in the Service's regional office evaluations of state operations.

Because much of the wage information is not being used, used effectively, or used in a timely manner, a sizable portion of the administrative effort that the states do devote to wage matching is being wasted. We believe that more specific detailed instructions, whether in a regulatory or another type of format, would be beneficial. It would be particularly useful to outline the basic

steps that local offices must complete to both identify and confirm potential overpayments and to use that information to reduce unnecessary program costs. Because delays in using wage data tend to extend overpayments and/or reduce opportunities for recovery, time frames for use of external wage data also should be established.

In January 1984 the Department's Office of Inspector General reported on the implementation of wage matching in the Food Stamp Program. The report noted that because of deficiencies in the design of wage-matching systems, some states were not following up on a majority of their potential overissuance cases. The Inspector General's report attributed this problem to an absence of requirements for timely follow-up and corrective action and to inadequate monitoring of states' implementation of wage matching.

FOLLOW-UP PROBLEMS ALSO INHIBIT  
AFDC WAGE-MATCHING EFFECTIVENESS

The problems discussed in this chapter relating to the Food Stamp Program also apply to the AFDC Program. Although these programs were administered by different federal agencies, a single state administrator often had responsibility for both programs, the same local offices usually administered both programs, case-workers could handle both types of cases, and the same wage-matching system was used for both programs in the states we reviewed.

Of the 446 food stamp cases for which we found potential unreported income, 146 of the those same households also had received AFDC benefits based on potentially inaccurate earned income information. In conjunction with our review of food stamp follow-up procedures, we also reviewed the results of the five states' follow-up work on the 146 AFDC Program cases. The following table summarizes the results of that review.

	<u>Number of cases</u>
Correct follow-up procedures used	52
No follow-up action taken	27
Errors in comparing external wage data with participant-reported casefile information	39
Differences between external and casefile wage data not resolved	11
Claims for overpayments not established	<u>17</u>
Total	<u>146</u>

As in the Food Stamp Program, the results of our review show that the five states were experiencing problems in carrying out the follow-up work to fulfill the AFDC wage-matching requirement.

## CONCLUSIONS

Wage matching can be an effective means for identifying unreported earnings and overissued benefits, adjusting current monthly benefits as necessary, and collecting overissuance claims. Effective matching systems, as discussed in chapter 2, also should include appropriate follow-up procedures for the individual cases referred to local offices by state headquarters. We found, however, that follow-up action on most cases was either not taken, was incomplete, or was inappropriate and the potential benefits from wage matching were not fully achieved.

For wage matching to be an effective method for improving program integrity, the Service must provide the impetus for states to instruct local offices on the appropriate follow-up steps to take in wage match cases and monitor those actions to ensure that they are performed timely and correctly. In doing this the Service needs to inform the states what is needed to implement effective wage match follow-up procedures and exercise its oversight responsibilities to be certain that the necessary steps are taken.

Service action to improve follow-up procedures should increase the number of potential overpayments identified and actions taken to correct benefits received by overpaid households. However, states would need additional staff resources to conduct wage-matching operations if they continued using procedures which are highly dependent on manual operations just to identify potential overpayments. Increasing the automation of the comparison process as discussed in chapter 2, thereby relying on automated steps to identify potential overpayments, would reduce judgment errors in identifying possible inaccuracies in income data and greatly reduce local office workload. The principal benefit would be to allow local staff to concentrate on resolving any problems with those cases that have already demonstrated potential for being based on erroneous earned income information.

## RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture direct the Administrator of the Food and Nutrition Service to modify Service regulations and establish policy guidance to set forth specific Service expectations regarding state follow-up actions. This should include details on how wage match follow-up work should be conducted, reasonable time frames for completing follow-up actions, and the types of management controls necessary to make sure that accurate and timely follow-up actions are taken. The Service regulations should stipulate that state procedures must provide for

--comparing external earnings information with participant-reported earnings as shown in food stamp records applicable to the same time periods;

--obtaining from the employer or the participant necessary supporting documentation on actual earnings for the match period and, as appropriate, for any other past or subsequent months the participant received benefits; and

--establishing claims and adjusting current benefits within a specific time period, such as 30 days after income verification steps disclose an overissuance of food stamp benefits.

The regulations also should require that states and local offices provide appropriate instructions and training to staff performing follow-up activities and that states establish controls for monitoring accuracy, timeliness, and completion of local office follow-up work. Finally, the Service should evaluate the adequacy of state follow-up efforts as part of its state level operations reviews and its validations of states' management evaluation reviews. In carrying out these improvements, the Service should consult and coordinate with the Office of Family Assistance within the Department of Health and Human Services' Social Security Administration which administers the AFDC Program to develop consistent procedures to the extent appropriate.

#### AGENCY COMMENTS AND OUR EVALUATION

##### Department of Agriculture

Agriculture agreed that systematic follow-up action is a necessary step to make wage matching an effective tool and said that its experience did not reveal any single approach that would be preferable to others for follow-up or other key wage match components. (See app. II.)

While there may be more than one way to effectively follow up on cases involving potential unreported income, this chapter shows that states could substantially improve their follow-up results if they carried out certain basic steps. Effective follow-up requires that states take a series of sequential steps such as those outlined on pages 23 to 25. If follow-up work does not include those steps, the effectiveness of states' matching efforts will be reduced.

##### Department of Health and Human Services

HHS agreed with and supported our recommendations. As noted on page 19, HHS had issued a review guide for its regional offices to use in evaluating and providing guidance on states' wage-matching operations. Included in this review guide were sections devoted to assessing the efficiency and effectiveness of states' follow-up procedures. We believe that the results of HHS' evaluations could be extremely useful to Agriculture in initiating its assessment of states' food stamp wage-matching procedures.

As noted on page 19, HHS acknowledged the need for more specific guidelines on the application and use of external wage data under both automated and manual techniques. It planned to examine ways to develop those guidelines and to continue its discussions with Agriculture staff.

State agency comments

The five states agreed that they needed to improve their follow-up work. For example, Texas cited the need for more training and more specific procedural manual instructions for using external wage data at the local level. (See app. VI.) Florida said that it had modified its management evaluation procedures to address the adequacy with which local offices were following up on wage match cases. (See app. IV.)

FOLLOW-UP RESULTS FOR WAGE MATCH CASES REVIEWED

	<u>Number</u>		<u>Unreported Income</u>	<u>Average unreported income</u>		<u>Range in unreported income</u>				
	<u>cases</u>	<u>matches</u>		<u>Per case</u>	<u>Per match</u>	<u>Per case</u>		<u>Per match</u>		
						<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	
Instances with potential unreported income	446	476	\$404,031	\$906	\$849	\$6,011	\$80	\$6,011	\$80	
Processed correctly	45	45	39,945	888	888	2,434	116	2,434	116	
No action taken	90	101	86,064	956	852	5,422	102	5,422	84	
Improper comparison of wage match data to food stamp files:										
Compared employer names only-not wages	45	46	31,761	706	690	4,829	80	4,829	80	
Inappropriate data checked:										
Compared to prior wage match data	15	17	14,936	996	879	2,321	128	2,090	80	
Compared to latest application	9	9	6,313	701	701	2,015	139	2,015	139	
Compared to other incorrect data	<u>5</u>	<u>5</u>	<u>5,119</u>	1,024	1,024	2,630	82	2,630	82	
Total	29	31	\$26,368	909	851	2,630	82	2,630	80	
Improper computations and other errors										
Insignificant difference	16	16	5,941	371	371	1,465	82	1,465	82	
Errors in calculation	9	9	6,100	678	678	2,939	181	2,939	181	
Incorrectly assumed not certified	9	10	9,256	1,028	926	1,130	104	1,130	104	
Other errors	45	49	40,434	899	825	4,825	87	4,115	87	
Unable to determine	<u>16</u>	<u>17</u>	<u>21,711</u>	1,357	1,277	4,440	245	4,440	245	
Total	95	101	\$83,442	878	826	4,825	82	4,440	82	
Total improper comparisons	169	179	141,571	838	795	4,829	80	4,829	80	
Income not confirmed	58	61	63,481	1,095	1,041	6,011	129	6,011	92	
Claim not established	<u>87</u>	<u>91</u>	<u>72,970</u>	839	802	5,109	118	5,109	118	
Total processed incorrectly	401	431	\$364,086	901	845	6,011	80	6,011	80	
	***	***	*****							

\*Three cases involve two errors each and, therefore, are counted in more than one category. However, these counts do not affect the overall percentages.



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

3101 Park Center Drive  
Alexandria, VA 22302

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JUN 6 1984

Mr. Brian P. Crowley  
Associate Director  
Resources, Community and  
Economic Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Crowley:

This is in response to the General Accounting Office (GAO) proposed report to Congress entitled "Better Wage Matching Systems and Procedures Would Enhance Food Stamp Program Integrity."

As you are aware, during Fiscal Year 1983 this agency launched a major campaign in an effort to reduce certification error rates, as well as losses due to the lack of accountability and controls over the issuance of coupons. Wage matching was integral to this coordinated thrust. We have devoted an enormous amount of time and effort to ensure that States implement wage matching requirements and realize the most effective results.

Wage matching has been and continues to be a major priority of this agency as we believe wage matching is an effective means to detect and prevent program abuses. We agree with GAO that the effectiveness of wage matching can be improved, and we are now focusing on the efficiency and effectiveness of State systems. We found your report to be constructive and informative. Much of the information contained in the report will be helpful in our efforts to pursue refinements to current wage matching activities.

We must realize that wage matching is a complex activity and takes time to accomplish. In many cases, numerous obstacles must be overcome in order to develop a fully functioning wage matching system. As your report points out this is due, in part, to the variances in States' system capabilities and resources across the country. Nevertheless, significant progress has been made since GAO's field work was conducted. States are progressing in improving their level of computer development as well as their knowledge of prioritization techniques and follow-up strategies.

As we pursue our efforts to increase the efficiency and effectiveness of States' wage matching operations we intend to continue our policy to allow States maximum flexibility in carrying out this function. States need this flexibility to allow for different problems, system priorities and resources. For example, one State may need to make only refinements

Mr. Crowley

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to its system; another State may need to improve its follow-up procedures; yet another may choose to develop a new system with front-end matching capability. The agency has already begun efforts to make wage matching more effective, and is striving to improve our knowledge of effective wage matching techniques.

This agency agrees with the report on the areas identified as needing refinements and support any work which adds to our body of knowledge including cost and benefit data on various wage matching techniques. Certainly systematic follow-up action is one necessary step to make wage matching an effective tool. However, our experience thus far does not reveal any one single approach that is better than others for this important activity as well as other key wage match components.

This agency has been actively working with States to improve wage matching activities and will continue to provide technical assistance to enhance State matching systems. In addition, we have been coordinating our efforts with the Department of Health and Human Services and other Federal agencies under the auspices of the President's Council on Integrity and Efficiency. These efforts will increase our knowledge of effective wage matching strategies. We in turn will share this information with States and encourage improvements to ensure that the optimum benefit from wage matching is realized.

If you have any questions on our response, please advise.

Sincerely,



ROBERT E. LEARD  
Administrator



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Office of Inspector General

JUN 19 1984

Mr. Richard L. Fogel  
Director, Human Resources  
Division  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report "Better Wage Matching Systems and Procedures Would Enhance Food Stamp Program Integrity." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in cursive script that reads "Richard P. Kusserow".

Richard P. Kusserow  
Inspector General

Enclosure

THE DEPARTMENT OF HEALTH AND HUMAN SERVICES' COMMENTS ON GAO'S  
DRAFT REPORT, "BETTER WAGE MATCHING SYSTEMS AND PROCEDURES WOULD  
ENHANCE FOOD STAMP PROGRAM INTEGRITY"

General

All the recommendations in this report are directed to the Department of Agriculture (DOA) Food Stamp program wage matching activities. However, since--as the report notes--wage matching is also required for the AFDC program and the same State wage matching systems are frequently used for both the Food Stamp and AFDC programs we are responding to the report.

We support all of GAO's recommendations. This Department has already taken specific steps to promote and improve wage matching activities in the AFDC program.

We have required the use of wage data as stipulated by public law. Further, the use of all available third party data is a requirement for States to receive 90 percent Federal funding for developing Family Assistance Management Information Systems (FAMIS). In addition, HHS has anticipated the need to monitor State compliance and provide guidance on wage matching activities. We have issued a data exchange review guide for use by regional offices to evaluate the use of wage and benefit data by State agencies. The regional offices are currently conducting those reviews. A copy of our review guide has been provided to the GAO staff involved in this audit.

What remains to be done is to develop definitive guidelines for States regarding the application and use of the data in terms of both automated and manual techniques. We will examine ways in which we can develop these guidelines. We will also continue ongoing discussions with DOA staff on development of their regulations and the use of standardized formats for computerized matches.



STATE OF FLORIDA  
DEPARTMENT OF HEALTH AND REHABILITATIVE SERVICES

June 15, 1984

Mr. Brian P. Crowley  
Associate Director, Senior Level  
U.S. General Accounting Office  
Room 1369  
South Agriculture Building  
14th and Independence, S.W.  
Washington, D.C. 20003

Dear Mr. Crowley:

This is in response to the U.S. General Accounting Office Report which you recently sent to this office. We have reviewed the report and found it to be factually correct with respect to its findings for the State of Florida, with one notable exception. On Page 32, the report states that none of the states reviewed had taken steps to "check on the accuracy of work done by the local offices" and "states periodic management evaluations of local offices did not address how well wage match follow-up activities were being handled." We implemented in September 1983 a modification to our management evaluation procedures to address the adequacy with which local food stamp offices are implementing wage match procedures as specified in HRSM 165-6. The management evaluation reviews now address the following considerations:

1. The Income Verification System (IVS) forms are to be distributed to the appropriate staff. Observe the procedure if they arrive during the review. If not, discuss the procedure with the unit supervisor.
2. The unit supervisor is to distribute the IVS forms before the effective month. Observe the procedure if the forms arrive during the review. If not, discuss the procedure with the unit supervisor and the eligibility workers.
3. All IVS forms are to be processed in a timely manner. Validate the IVS Threshold Listing to determine the time frames. Observe or discuss the procedures in the unit.
4. The unit supervisor is to ensure that IVS forms are acted upon appropriately and timely. Validate the IVS Threshold Listing and the unit IVS Reports.

137 WINEWOOD BLVD • TALLAHASSEE FL 32301

BOB GRAHAM GOVERNOR

Mr. Brian P. Crowley  
Page 2  
June 15, 1984

Does the supervisor review case records containing IVS forms?

5. When an IVS form is processed it should be properly documented in the case record. Case file examination will indicate if they are properly processed. Figures can be taken from the IVS Review Sheet.
6. Contradictory/questionable information should be explored with the household, and the resolution documented in the case file. The results from this item will come from the IVS Review Sheet.
7. Households are to be notified and given an opportunity to verify information by another source if wage match information contradicts information provided by the household, or if wage match data is unavailable. The results for this item will come from the IVS Review Sheet.
8. Eligibility and benefit levels are to be adjusted correctly and on a timely basis as a result of action on wage information. The results for this item will come from the IVS Review Sheet.
9. Claims are to be filed against the household on IVS information. The results for this item will come from the OFR Review Worksheet and the IVS Review Sheet.

Prior to September 1983, the ME review only addressed the following consideration:

- Units are to correctly review 90 percent of the IVS statements prior to recertification. Validate the IVS Threshold Listings by making a random sample of no more than 15 cases to determine if the IVS's were correctly reviewed. Some may show up in the case reviews.

[GAO COMMENT: We have added this information on page 32 of the report.]

Also, on Page 31, the third paragraph, the report states that Florida's Procedures Manual did not include instructions for wage matching, "but, the food stamp office was developing that information at the time of our review." The manual procedures were first promulgated and distributed to the field in June 1983 and were subsequently revised in December 1983. Copies of these procedures are attached for your information.

Mr. Brian P. Crowley  
Page 3  
June 15, 1984

[GAO COMMENT: We have recognized this progress on page 31 of the report.]

This report corroborates the approach that we have been wanting to take to the implementation of wage matching - namely, the use of an exception based wage matching system. Enhanced automation of the wage matching system will minimize the manual effort required to identify cases with unreported or underreported income, and improve the overall efficiency of the local food stamp office. We anticipate implementing this type of a wage matching system in October 1984.

[GAO COMMENT: We have noted the state's anticipated implementation of an enhanced matching system date on page 20 of the report.]

Should you have questions regarding this matter, please let me know.

Sincerely,



Marshall E. Kelley  
Program Staff Director  
Economic Services

MEK/Kk1

Attachment

[GAO COMMENT: Page references in this appendix have been changed to reflect page numbers in our final report.]

**NEW YORK STATE  
DEPARTMENT OF SOCIAL SERVICES  
40 NORTH PEARL STREET, ALBANY, NEW YORK 12243**



CFSAR A PERALES  
*Commissioner*

June 21, 1984

Mr. Brian P. Crowley  
Associate Director  
U.S. General Accounting office  
Room 1369  
South Agriculture Building  
14th and Independence Avenue, SW  
Washington, D.C. 20250

Dear Mr. Crowley:

Thank you for providing the opportunity to review and comment on your draft report entitled "Better Wage Matching Systems and Procedures Would Enhance Food Stamp Program Integrity." While we are in general agreement with the major findings of the study, there are a few factors which should be introduced to bring matters into proper perspective.

The report cites as a major problem the inability or failure of all states involved to conduct an automated comparison of employer reported wage data with food stamp budget data for the same period. The need to prepare budget adjustments on the basis of employer reported wages is recognized but for the most part the process is handled manually in New York State. A major system modification would be required to accomplish this on an automated basis. While such an effort has been under consideration, a higher priority was assigned to developing the use of wage matching as a front end eligibility tool thereby emphasizing cost avoidance rather than retrospective budget adjustments. In New York City, new applicants have been matched against the Wage Reporting System since 1982. The results have been significant and more than justify the costs involved. A similar system has been developed for the remainder of the State and is expected to be in place by September, 1984.

[GAO COMMENT: Our evaluation of New York's preference to use external wage data as a tool for helping make initial decisions about applicants' eligibility is on page 20.]

The other major problem identified by your review is New York State's failure to conduct wage matches for former recipients. The report, however, correctly notes that this failure is due to State law rather than poor procedure.

Finally, I would like to point out that the State of New York is always interested in ways to improve the efficiency and effectiveness of its operation. To that extent, we appreciate the comments and concerns presented by your office. We would also like to assure that, in pursuing optimum efficiency, we proceed with a broad perspective of Department operations and not with a narrow view of what may benefit only one program or subsystem. The current wage matching operation in New York State is estimated to save more than \$50 million per year. While we recognize that there is always room for improvement, we hesitate to undertake costly modifications without a high

level of certainty that they are justified. If after sufficient research and testing it is verified that the changes recommended by your review are warranted, and as other priorities permit, resources will be allocated accordingly.

[GAO COMMENT: As noted throughout the report, the states we reviewed experienced problems in several key areas in effectively implementing the wage matching requirement. We believe these problems justify the immediate development of corrective action strategies to improve states' wage matching operations. We agree that states should not undertake costly modifications to their matching systems without assurances that those efforts will reduce losses. We also recognize that additional resources may be needed to implement the improvements suggested in this report; however, unless these improvements are made, some states will continue to experience inefficiencies in their procedures to identify and follow up on potential overissuance cases. Without more highly sophisticated techniques for identifying cases with potential overpayments resulting from underreported income, it is highly likely that caseworkers' available time for follow-up and verification work will not be used as effectively as otherwise might be possible.]

Once again, thank you for the opportunity to comment on the draft report.

Sincerely,

*Philip J. Natcharian*  
Philip J. Natcharian  
Director of Program Integrity

# Texas Department of Human Resources

State Headquarters Located at 706 Banister Lane  
Mailing Address P O Box 2960 • Austin, Texas 78769



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June 1, 1984

Mr. Brian P. Crowley  
Associate Director, Senior Level  
United States General Accounting Office  
Room 1369  
South Agriculture Building  
14th and Independence Avenue, SW  
Washington, D.C. 20250

Dear Mr. Crowley:

Subject: Review of draft report, Better Wage Matching Systems and Procedures  
Would Enhance Food Stamp Program Integrity

We have briefly reviewed the subject report and have the following comments.

We fully agree with the study finding that increased use of computer comparison of external wage data with internal reported income will improve the overall process of wage matching, including clearance of potential unreported income in local offices. The report notes (p. 12) that Texas planned to upgrade our capability in this area. We have now done this and are looking forward to production of the first set of wage reports under the new system (first quarter of 1984) in July 1984.

[GAO COMMENT: On page 12, we have noted that Texas has upgraded its computer capability and expected the first set of wage reports under the system in July 1984.]

These changes will allow eligibility determination workers to do a much better job of following up on wage reports than that described on page 22. However, I wish to point out that the study took place during a period of unprecedented increase in AFDC and Food Stamp applications and caseload (e.g. AFDC-708 applications per day, a 31% increase from the prior year; Food Stamp-2509 applications per day, a 50% increase from the prior year), which made the inefficiencies of our former wage matching system even more difficult to handle.

We also agree that more training and more specific procedural manual instructions for clearing wage reports at the local level are appropriate.

Thank you for the opportunity to review this draft report.

Sincerely,

Marlin W. Johnston

[GAO COMMENT: Page references in this appendix have been changed to reflect page numbers in our final report.]

(023233)

Text for RCUD 84-112.

Replace what is currently in Service with this information

We recommend that the Secretary of Agriculture direct the Administrator of the Food and Nutrition Service to modify Service regulations and establish policy guidance to set forth specific Service expectations regarding state follow-up actions.

The regulations also should require that states and local offices provide appropriate instructions and training to staff performing follow-up activities and that states establish controls for monitoring accuracy, timeliness, and completion of local office follow-up work. Finally, the Service should evaluate the adequacy of state follow-up efforts as part of its state level operations reviews and its validations of states' management evaluation reviews.

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